



State Board of Equalization

News Release

Chairman Jerome E. Horton

4th District – Los Angeles

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Executive Director
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Bill to Crack Down on Criminal Tax Evasion Headed to Governor's Desk Legislation Could Help Recoup Part of the Approximately \$9 Billion in Tax Evasion Annually

Sacramento – A bill that will codify a partnership made up of the California State Board of Equalization (BOE), Franchise Tax Board (FTB), Employment Development Department (EDD), and Department of Justice (DOJ) is headed to the Governor's desk. Legislation unanimously supported by the BOE ([Assembly Bill 576](#), V. Manuel Pérez) would strategically target sales, income, and employment tax evasion using existing resources from the partners' respective departments.

"Criminal tax evasion associated with underground economic activities, from counterfeit cigarettes, jewelry, and medicine to human trafficking, to name only a few, allows an estimated nine billion dollars in corporate, personal, and sales and use taxes to go uncollected in California each year," said Jerome E. Horton, Chairman of the California State Board of Equalization and sponsor of the measure. "I strongly urge Governor Brown to sign this measure into law to help level the playing field for legitimate, tax-paying California businesses."

Criminal tax evasion in California's underground economy deprives the state of approximately \$9 billion annually through a spectrum of illegal activities such as selling counterfeit goods like "knock off" designer items, exploiting victims of human trafficking, and smuggling tobacco products and other goods into California without paying the required taxes. A report issued by the UCLA Labor Center this year pegs this loss at 11 percent of the total tax revenues owed to the state. For example, a recent case in Los Angeles included the confiscation of 20,000 pairs of Christian Louboutin platform and stiletto heels valued at \$18 million. This illegal shipment was among the 14,000 containers that arrive in Los Angeles each day, where more than 1,000 shipments of counterfeit and illegal goods are identified each year including perfume, electronics, children's items and others.

AB 576 creates the Revenue Recovery and Collaborative Enforcement (RRACE) Team to formalize data sharing and communication among the BOE, FTB, EDD, and DOJ. The legislation enables these agencies to strategically collaborate and criminally prosecute those who evade state sales, use, excise, income, and employment taxes, with no added cost to state taxpayers. The team's efforts will benefit Californians through its likely recovery of tax dollars which are vital to providing state services, such as public schools, highways, public safety, and health care programs.

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Elected in 2010, Chairman Jerome E. Horton is the Fourth District Member of the California State Board of Equalization, representing more than 8.5 million residents in Los Angeles County. He is also the Board of Equalization's Legislative Committee Chairman. He is the first to serve on the Board of Equalization with over 21 years of experience at the BOE. Horton previously served as an Assembly Member of the California State Assembly from 2000-2006.

The five-member California State Board of Equalization is a publicly elected tax board. The Board of Equalization collects more than \$53.7 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

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